

## **Charging of Direct and Indirect Costs under Federal Grants/Cooperative Agreements and Cost Reimbursement Contracts (Rev. April 2018)**

Most sponsored projects include both Direct and Indirect Costs included in the budget.

**Direct Costs** are those costs which are allowed to be reimbursed under federal guidelines and which can be identified specifically with a particular award and accounted for separately with a high degree of accuracy.

**Indirect Costs** are those costs incurred by the awardee in support of general business operations but which are not attributable to a specific federally funded project.

Indirect Costs + Direct Costs = Total Project Costs.

- (a) If the Indirect Cost Rate is calculated on a Total Direct Cost (TDC) basis, then all budget items are included in the Indirect Cost calculation.
- (b) If the Indirect Cost Rate is determined on a Modified Total Direct Cost (MTDC) basis, then some costs are exempted when the Indirect Costs are calculated.
- (c) A subrecipient may charge their federally approved Indirect Cost Rate on all federal grants or contracts (unless a program announcement directs differently). If a subrecipient does not have a federally approved Indirect Cost Rate, and the source of funding is a Federal Grant or Cooperative Agreement, per Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Chapter 1, Chapter II, Part 200), the subrecipient may apply a 10% MTDC Indirect Cost Rate when calculating Total Project Costs.
- (d) Individual agencies will be providing guidance on the application of the Uniform Guidance cost principles to foreign entities.
- (e) If a subrecipient does not have a federally approved Indirect Cost Rate, and the source of Funding is a Federal Contract (under the Federal Acquisition Regulations [FAR]), the subrecipient should consult with the Office of Research Administration for guidance on allowable Indirect Costs.

**Indirect Cost Calculation:** A Base Amount is determined by adding together all direct costs (-) minus any items which are exempt from IDC costs.

$(\text{Base Amount}) \times (\text{Indirect Cost Rate}) = \text{Total Indirect Costs}$ .

A. Budget Categories subject to Indirect Costs under an MTDC rate:

- Project Personnel Salaries and Wages
- Fringe Benefits (employer's portion of employee retirement and health benefits, taxes)
- Materials and Supplies (must be separately accounted for, necessary to the scientific project, and cost less than \$5,000 per item)
- Computing Devices with a per unit cost of less than \$5,000 USD
- Vendor Service Contracts/Consultant Fees
- Travel (must adhere to Fly America Act and Federal Travel Limitations)
- Subawards and Subcontracts up to \$25,000 USD (remainder is exempt from IDC)

B. Examples of Budget Categories Exempt from Indirect Costs under an MTDC rate:

- Individual items of special purpose capital equipment with a per unit cost of \$5,000 or more
- Capital Expenditures (buildings, land, office equipment and furnishings, alterations and renovations; telephone networks, and motor vehicles)
- Rental Fee and Maintenance Costs related to rental property
- Student Tuition Remission and Student Support Costs (student aid, stipends, dependency allowances, scholarships, and fellowships)
- Participant Support Costs
- That portion of each Subcontract and Subaward exceeding \$25,000 USD (regardless of the period of performance of the Subaward and Subcontract)
- Hospitalization and other fees associated with patient care whether the services are obtained from an owned, related, or third party hospital of other medical facility

\*\*Entities with an approved, negotiated indirect cost rate agreement should consult their rate agreement for budget categories that are exempt from Indirect Costs under an MTDC rate.\*\*

### Direct Cost Categories

**Salaries and Wages:** All remuneration paid currently or accrued by the organization for employees working on the federally funded project during the grant period is allowable to the extent that: (a) the compensation to individual employees is reasonable for the work performed directly on the award charged, (b) is consistently applied to both government and non-government activities; and (c) the charges for work performed are documented in an auditable format easily distinguishable from other unrelated wages. Refer to agency specific guidelines for salary caps.

**Administrative and Clerical Salaries & Wages Policies:** In most circumstances, salaries of administrative or clerical staff are included as part of Indirect Costs (also known as Facilities and Administrative Costs (F&A) for Colleges and Universities). Salaries of administrative or clerical staff may be requested as direct costs when they are (a) an integral part of a project; (b) the estimated percent of effort for specific individuals are justified in the budget proposal; and (c) these same costs are not recovered in the Indirect Cost Rate.

**Fringe Benefits:** Fringe benefits are allowable as a direct cost in proportion to the salary charged to the award, to the extent that such payments are made under formally established and consistently applied organizational policies. If the entity does not have an approved fringe benefit rate, then actual charges for the following should be used in estimating these costs to the extent possible.

- Employer Retirement Contributions
- Employer Paid Taxes (Local, State, Federal, Medicare, Social Security, Unemployment Contribution)
- Employer Paid Employee Health Benefit
- Employer Paid Employee Tuition Benefit

**Travel Allowances:** Travel costs of project staff may be allowable as outlined in the pertinent program solicitation and in the award. The federal restrictions regarding class of accommodations and use of U.S.-Flag air carriers are applicable. In training activities that involve field trips, costs of transportation of participants are allowable under Participant Support Costs.

**Participant Support Costs** (Exempt from Indirect Cost calculation under Federal Financial Assistance Awards and Cost Reimbursement Contracts governed by the FAR):

- Participant Support Costs: These are direct costs for items such as: stipends or subsistence allowances, travel allowances and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia or training projects. Participant support costs for employees is only allowable if support or payment is in the form of a

stipend or training allowance outside of the participants' regular salary.

- Stipends or Subsistence Allowances: To help defray the costs of personal maintenance while participating in a conference or training activity, participants may be paid a stipend, per diem or subsistence allowance, based on the type and duration of the activity, as outlined in the pertinent program solicitation and in the award. Such allowances must be reasonable, in conformance with the usual policy of the recipient organization and limited to the days of attendance at the conference plus the actual travel time required to reach the conference location by the most direct route available. Where meals or lodgings are furnished without charge or at a nominal cost (e.g., as part of the registration fee), the per diem or subsistence allowance will be correspondingly reduced.

**Meetings and Conferences:** The points below summarize the allowability of various items of cost associated with conferences, symposia, workshops or other meetings supported by a federal award. Any costs charged to a federal award also need to be reasonable and directly allocable to the supported activity. Meeting and conference costs identified below are only allowable if such costs are specifically and clearly identified in the proposed scope of work and budget, as modified and approved by the prime sponsor. Federal funds are not otherwise to be spent for meals or coffee breaks for internal meetings of an organization or any of its components, including, but not limited to, laboratories, departments and centers.

- Conference Facilities - Rental of facilities and necessary equipment is allowable.
- Supplies - Purchase of expendable materials and supplies necessary for the meeting is allowable.
- Conference Services - Costs of translation services and of recording and transcribing the proceedings are allowable.
- Publication Costs - Costs of publishing the proceedings are allowable if approved in the award.
- Salaries - Salaries of professional personnel, editorial and clerical assistants and other staff members are allowable in proportion to the time or effort devoted to the preparation and conduct of the conference and summarizing its results.
- Consultant Services and Speaker Fees - Reasonable fees and travel allowances and per diem (or meals provided in lieu of per diem) are allowable.
- Meals and Coffee Breaks (unless specifically disallowed by agency policy) - When certain meals are an integral and necessary part of a conference (e.g., working meals where business is transacted), federal funds may be used for such meals. Funds may also be used for furnishing a reasonable amount of hot beverages or soft drinks to conference participants and attendees during periodic coffee breaks.
- Participant support costs are allowable (but exempt from indirect costs)
- Entertainment - Costs of entertainment, amusement, diversion and social activities and any costs directly associated with such costs (such as tickets to shows or sporting events, meals, lodging, rentals, transportation and gratuities) *are unallowable*.
- Travel, meal, and hotel expenses of awardee employees who are not on travel status *are unallowable*.
- Costs of employees on travel status are limited to those allowed under the governing cost principles for travel expenses.
- Alcoholic Beverages - *No Federal funds may be spent on alcoholic beverages.*

## Equipment

**Special Purpose Equipment:** Expenditures for special purpose equipment are allowable as direct costs provided the acquisition of items with a unit cost (or a final constructed/assembled cost) of \$5,000 or more and has the prior approval of the sponsor:

- necessary for the research or activity supported by the grant;
- not otherwise reasonably available and accessible;
- of the type normally charged as a direct cost to sponsored agreements; and
- acquired in accordance with organizational procurement process and policy.

**General Purpose Equipment:** Expenditures for general purpose equipment are normally unallowable including office furniture, telephone network, duplication machines, etc., unless the equipment is required for the actual conduct of research and approved by Sponsor.

**Materials and Supplies:** Materials and supplies are defined as tangible property. Items (including computing devices) costing less than \$5,000 per unit, or other lower equipment threshold, as well as consumable materials and supplies, are allowed if costs can be documented as allocable and essential to a specific project.

**Travel Costs:** Expenses for transportation, lodging, subsistence, ground travel, and related items incurred by project personnel and outside consultants employed on the project who are on travel status on business related to a federally supported project are allowable as prescribed in the governing cost principles.

- Except as provided in the governing cost principles, the difference between economy airfare and a higher-class airfare *is unallowable*. A train, bus or other surface carrier may be used in lieu of or as a supplement to air travel at the lowest first-class rate by the transportation facility used; however, if such travel could have been performed by air, the allowance will not normally exceed that for economy airfare.
- For restrictions concerning the use of non-U.S. Flag carriers while on foreign travel see <https://www.gsa.gov/policy-regulations/policy/travel-management-policy-overview/fly-america-act>

**Computer Maintenance Services:** The costs of services involving the use of highly complex or specialized facilities operated by the organization, such as computing facilities, are allowable provided the charges meet the conditions of the governing cost principles.

**Consultant Services:** Where it is necessary for a grantee to enter into a subcontract for the professional services of persons who are not its officers or employees, it is expected to do so in accordance with written organizational standards which provide for consideration of the factors outlined in the governing cost principles. Costs of professional and consultant services are allowable when reasonable in relation to the services rendered. Costs of legal, accounting and consulting services and related costs incurred in connection with organization and reorganization, defense of antitrust suits and the prosecution of claims against the government are unallowable.

**Other Budget Categories:**

**Profit:** A non-Federal entity funded under a Federal Cost Reimbursement Contract or Financial Assistance Award may NOT earn or keep any profit resulting from the award unless expressly authorized by the terms and conditions of the Federal award.